



OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



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March 9, 2010

Mr. Freddie Dunlap, Supply Commissioner  
Supply Division  
1200 Market Street, Room 324  
St. Louis, MO 63103

RE: Follow-Up Review of the State Auditor Supply Division Report 2008-60  
(Project # 2010-35-2)

Dear Mr. Dunlap:

A limited follow-up review has been completed on the report noted above. This follow-up review was made under authorization contained in Article XV, Section 2 of the Charter, City of St. Louis, as revised, and conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

A limited follow-up review does not necessarily involve detailed testing or verification. The review instead relies on communication with department management and staff, as well as limited observations.

The purpose of this follow-up review is to determine the status as of December 31, 2009, of findings in the report.

The findings below have been **resolved**:

**1. Emergency Purchases**

- a. The Supply Division issued a City-wide memorandum April 22, 2009 to Department heads and appointing authorities, implementing several changes to the emergency requisition and purchase procedures. A list of employees authorized to approve emergency requisitions was also established. Departments were requested to comply with the new procedures and appointed authorities were advised to take disciplinary actions against employees who did not comply.
- b. The Supply Commissioner noted emergency requisitions for purchases have improved since the memo was issued. Emergency purchases now meet the definition of an emergency and the justification sections explaining the nature of the emergency are now completed.

- c. Approval for emergency purchase is obtained before the invoice date, except in rare cases of extreme emergency (water main break, etc.).

## 2. **Contract Pricing**

- a. Contracts are reviewed by the Supply Division staff to ensure the appropriate per unit price and the actual invoice price matches the agreed upon contract price. This comparison is noted on the documents reviewed. All pricing discrepancies are referred to the vendor and the department seeking to make the purchase prior to processing by the Supply Division staff.
- b. Invoices include sufficiently detailed information, such as per unit rates, to allow adequate comparison of the invoice prices to the contract prices.

3. **Performance Bonds** – The City Code, section 5.58.160, was revised with Ordinance 68297 to allow the Supply Commissioner discretion in determining when a performance bond is required. The ordinance states, “*The Supply Commissioner may require all parties... to give ...bond.*”. The Supply Division staff maintains a log book of contracts and required performance bonds, and notes when the Supply Commissioner has waived the requirement for a bond. Since the ordinance is silent on guidelines for waiver of bonds, we recommend the Supply Commissioner establish written guidelines of factors to be considered in waiving bonds and/or document the basis for waiving bonds.

The findings below have been **partially resolved**:

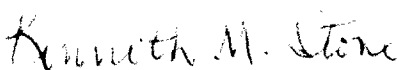
4. **Receipt Controls** – The Supply Division implemented the use of a Check Received Log. Checks are recorded in the log (date, amount, number, payee and payer), then immediately endorsed for deposit. A receipt is provided by the Treasurer’s Office to the Supply Division Executive Secretary to confirm deposit. The Treasurer’s Receipt date and number are written in the Check Received Log. The Supply Commissioner stated that a weekly reconciliation of the log to the Treasurer’s Receipts for daily deposits made, is performed on a sample basis. However, the reconciliation was not documented via tick mark, initials or signature.

### **Management’s Response**

*Effective with the 2010 checks received in the Supply Division [the Supply Commissioner’s] initials are being placed in the register to show reconciliation.*

If you have any questions, please contact the Internal Audit Section at (314) 622-4723.

Respectfully,

  
Dr. Kenneth M. Stone, CPA  
Internal Audit Executive